

**IN THE UNITED STATES BANKRUPTCY
COURT WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

In Re:

**KLD Energy Technologies, Inc.,

Debtor.**

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**Case No. 16-10345-HCM
Chapter 11**

**KLD ENERGY TECHNOLOGIES, INC.’S SUBMISSION IN CONNECTION WITH
THE COURT’S ORDER RESETTING SHOW CAUSE HEARING ON CONVERSION
OF CASE TO CHAPTER 7
[Relating to Docket No. 586]**

TO THE HONORABLE H. CHRISTOPHER MOTT,
U.S. BANKRUPTCY JUDGE:

KLD Energy Technologies, Inc., the debtor in this case (“KLD”), files its Submission in Connection with the Court’s Order Resetting Show Cause Hearing on Conversion of Case to Chapter 7, and respectfully state as follows:

1. KLD is opposed to conversion of the case to Chapter 7. KLD prefers for the case to remain under Chapter 11 and there are several factors supporting this preference.

2. Over the last two months, KLD’s management team has worked with the consulting company Ricardo in re-instigating marketing of the KLD assets. These efforts have yielded promising from TECO-Westinghouse, an international leader in motor technology located in Round Rock, Texas.¹ TECO-Westinghouse’s research and development team met with KLD’s management representative (Donald Nevins) in KLD’s California lab and conducted a significant review of the KLD technology. With the assistance of Green Ray, KLD demonstrated the technology’s potential application to TECO-Westinghouse’s business applications. KLD believes that TECO-Westinghouse has a high level of interest in the

¹ See <https://www.TECOWestinghouse.com/Default.aspx>.

technology and is continuing its due diligence to allow it to submit a bid. Although no bid has been received, KLD management is highly encouraged by TECO-Westinghouse's interest. KLD understands that representatives of TECO-Westinghouse will be at Thursday's hearing.

3. KLD continues to communicate with MyWay on its progress in attempting to close a sale of the Debtor's assets. MyWay continues to state that it is moving toward closing. Over the last few weeks, MyWay representatives met in California with Donald Nevins of the KLD restructuring team. Further, MyWay continues to wire funds to KLD. KLD has received no indication from MyWay that it is no longer interested or will be incapable of closing. However, KLD is aware of parties' skepticism given the case history.

4. Finally, the Secured Creditor Group has indicated to KLD that it continues to be interested in purchasing the KLD assets if MyWay or TECO-Westinghouse does not do so. The Secured Creditor Group has gone so far as to submit a Purchase And Sale Agreement to KLD. This would effectively be a back-stop bid should other purchasers fail to close.

5. Given the additional substantive interest in the KLD assets, KLD will file a renewed bid procedures motion prior to the January 25 show cause hearing.

6. As of the filing of this Submission, both the Secured Creditor Group and Green Ray have filed submissions indicating that they oppose conversion based on the recent events.

7. KLD has financial resources to pay accruing operational expenses through February 2018 and possibly through March 2018.

8. Based on the foregoing, KLD strenuously urges the Court not to convert the case to Chapter 7 in that a relatively insignificant extension of time could yield significant results for the estate. The recent developments present a substantive opportunity for the KLD assets to be sold with similar financial expectations as expected from the MyWay transaction. A conversion

of the case would necessarily mean losing the managerial direction of Terry Chase and Donald Nevins and seriously compromise the ability of this estate to maximize its value to creditors. Their expertise and involvement with Ricardo in developing and marketing KLD's assets cannot be understated. Further, a recent agreement between the Secured Creditor Group and Green Ray Technologies to allow the additional time needed for TECO-Westinghouse to complete its due diligence and submit a bid means that additional time will not substantively harm the estate. Finally, given the two-year anniversary of the case on March 25, 2018, the additional time will ensure that any avoidance actions that need to be filed are filed prior to the expiration of any extended deadline.

WHEREFORE, PREMESIS CONSIDERED, KLD Energy Technologies, Inc. respectfully requests that the Bankruptcy Case be retained under Chapter 11, and requests such other and further relief to which they may be justly entitled.

Dated: January 22, 2018

Respectfully submitted,

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COUNSEL FOR DEBTOR

CERTIFICATE OF SERVICE

I hereby certify that on January 22, 2018, a true and correct copy of the foregoing pleading is being served via this Courts ECF notification system to those parties registered to receive such notification as listed below.

/s/ Lynn Hamilton Butler

Lynn Hamilton Butler

16-10345-hcm Notice will be electronically mailed to:

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